

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT TACOMA

LAUREL PARK COMMUNITY, LLC, a Washington limited liability company; TUMWATER ESTATES INVESTORS, a California limited partnership; VELKOMMEN MOBILE PARK, LLC, a Washington limited liability company; and MANUFACTURED HOUSING COMMUNITIES OF WASHINGTON, a Washington non-profit corporation,

Plaintiffs,

v.

CITY OF TUMWATER, a municipal corporation,

Defendant.

No. C09-05312BHS

DECLARATION OF
JEANNE-MARIE WILSON
IN SUPPORT OF PARTIAL
SUMMARY JUDGMENT

Jeanne-Marie Wilson declares and states as follows:

1. I am over the age of eighteen, competent to testify, and familiar with the facts herein based upon personal knowledge.

2. I am a state certified general real estate appraiser practicing in Washington State for the last 15 years. I have valued approximately 75 manufactured home parks over the last 14 years. I have also valued manufactured homes as personal property when used as rentals situated in a manufactured home park. A copy of my current resume and state license are attached to this declaration as exhibit A.

1 3. Manufactured home communities offer a low-cost housing alternative to those
2 who cannot afford to purchase a traditional single-family home on a fee simple owned lot. It is
3 in essence a land lease that affords the manufactured home tenant the right to use and occupy the
4 land for a predetermined period of time after which the tenant can move the home or renew the
5 ground lease. Given the high cost of relocating a manufactured home, the tenant more typically
6 decides to sell the home in place.

7 4. From the land owner's perspective, manufactured home communities are a
8 popular investment vehicle because there is strong demand for these lots, and rent levels, in
9 general, trend upwards each year. Professionally managed communities typically pass through
10 annual rent increases to cover the rising cost of taxes, utilities, etc.

11 5. Manufactured home parks can be viewed as a sophisticated form of land banking
12 (with an interim income-generating use), until such time as land values appreciate beyond that of
13 the property's value "as improved." Historically, manufactured home parks have been viewed as
14 just that; an interim use of the land. At a minimum, improvements consist of utility hook-ups,
15 concrete pad sites and a central network of interior roadways accessing the "lots." These
16 infrastructure improvements can prove to be valuable when redevelopment takes place.

17 6. Manufactured home parks have traditionally been located outside of built-up areas
18 where land was cheap, but in the path of development. The land owner eventually could take
19 advantage of increasing property values and redevelop the site to its highest and best use based
20 on zoning, supply and demand conditions, and surrounding uses.

21 7. When a manufactured home is situated in a manufactured home park, it remains
22 personal property and it is titled like a motor vehicle in Washington. In fact, recording
23 ownership of a manufactured home in a manufactured home park is made with the same vehicle
24 Declaration of Jeanne-Marie Wilson - 2

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1 certificate of title as an automobile, which identifies the registered owner, and legal owners (*i.e.*,
2 lien holder) of the manufactured home.

3 8. When a manufactured home is situated on land that is under the same ownership,
4 the manufactured home can be converted from personal property to real property with the
5 Washington Department of Licensing. To do so, the owner must complete an administrative
6 process with the Department of Licensing which reclassifies the manufactured home from
7 personal property to an improvement on real estate. Before conversion, the owner of the
8 manufactured home pays annual personal property taxes on the home. After conversion, the
9 owner of the manufactured home and land pays real estate taxes, as the home is now recognized
10 as real property.
11

12 9. Effective March 23, 2009, the City of Tumwater ("Tumwater") enacted
13 ordinances that assigned Laurel Park, Tumwater Estates, and Velkommen (collectively "the park
14 owners") to a Manufactured Home Park Zone District ("District"). The District restricts the use
15 of each impacted property to a single manufactured home park, thus eliminating alternative
16 single family or multi-family uses previously allowed by zoning. Allowed uses in the new MHP
17 District include manufactured home parks, parks, trails, open space areas, support facilities, and
18 child care facilities. Alternatively, park owners are also permitted to construct one single-family
19 detached residence per existing single lot of record. For example, Velkommen is situated on one
20 lot of record. Under the zoning now in effect, Velkommen would be limited to constructing only
21 one single-family detached residence on the property if it removed all of the existing
22 manufactured homes.
23

24 10. Tumwater's ordinances have transferred property rights from the park owners to
25 their tenants. The zone change by the District is more akin to a long term lease in favor of the
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1 tenants, which offers greater property rights to home owners at the expense of the landlord who
2 can no longer take advantage of the underlying land's potential for commercial redevelopment.

3 11. For example, when a manufactured home is owned by an individual and is located
4 on land under separate ownership (in a manufactured home park) with a long-term ground lease,
5 the value of the home would be more than under a short term lease because the long-term lease
6 provides more property rights to the home owner. A long term ground lease would stipulate the
7 frequency and amount of rental increases and would limit the park owner from capriciously
8 increasing rents. With this agreed upon "rent control" written into the lease, the home owner
9 could conceivably sell their home for more than a comparable home in a park with a short term
10 lease which offers less security in terms of underlying ground rent. In essence, the buyer of the
11 home would be paying more for the security of knowing how much and when ground rent would
12 increase.
13

14 12. Tumwater Estates is served by city water/sewer and was previously zoned MFH,
15 or High Density Multi-Family. This property is clearly located in the path of development and is
16 surrounded by medium and high density multi-family housing, senior care facilities, and general
17 commercial development.
18

19 13 There are several examples of medium and high density multi-family housing
20 developments completed in the immediate vicinity of Tumwater Estates in the last five years,
21 including Tabula Rasa Apartments, Kensington Townhomes, and Cuda Lane Townhomes.

22 14. Laurel Park and Velkommen have private utility systems and were previously
23 zoned MFM, or Medium Density Multi-Family. Both are located in the path of development
24 with numerous examples of single-family subdivisions being built-up in the immediate vicinity
25 over the last 10 years, including Hosannah Park (41 lots), Kirsop Village (72 lots) and Mirasset
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1 (73 lots).

2 15. As described above, Tumwater's new ordinances have shifted value from the park
3 owners to the tenants much the same way a 99-year lease would shift value from the park owners
4 to the manufactured home owner. The critical distinction, however, is that the 99-year lease
5 would be by agreement of the parties, whereas Tumwater's District is mandated by the
6 municipality.

7 16. For example, before Tumwater's ordinances were enacted, my appraisal of the
8 real property would recognize owners were permitted to use their properties for a variety of uses.
9 At Velkommen and Laurel Park, the permitted uses included single and multi-family dwellings,
10 manufactured home parks, residential planned unit developments, and any combination of
11 permitted uses. At Tumwater Estates, the permitted uses also included higher density multi-
12 family dwellings.
13

14 17. Valuation of the real property after the ordinances became effective would
15 recognize that the park owners are now permitted to use their properties for basically only one
16 income-generating use, but could also use it for public parks, trails, open space areas, support
17 facilities, and child care facilities. The value of the property as a manufactured home park is
18 clearly greater than as trails, open spaces, recreational parks, support facilities, or child care
19 facilities. When faced with the choice of continuing the existing manufactured home park use or
20 adopting one of the other less viable uses permitted by the District, I would expect the park
21 owners to continue the existing use indefinitely.
22

23 18. However, even given the current downturn in the business cycle, with the new
24 MHP zoning, the park owners no longer have the ability to capitalize on future market upswings
25 similar to that which took place in the residential housing market until mid to late 2007. The
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1 owners are not able to capitalize on their investments because redevelopment to a higher and
 2 better use is no longer legally possible. This negatively impacts the owners' exit strategies and
 3 expected rates of return on their investments.

4 19. The parks' values are also compromised in the eyes of a willing buyer who cannot
 5 consider any other use except the existing use. Premiums associated with redevelopment of the
 6 underlying land have been lost as a result of the "down zone."

7 20. For example, I provided a preliminary value estimate of Velkommen in early
 8 January 2010 and concluded that the "As Is" Market Value under continued use ranged from
 9 \$1.4 to \$1.5 million effective December 31, 2008. However, Velkommen received offers of
 10 \$1.75 and \$1.6 million in May 2008 and September 2008, respectively. See Decl. of James
 11 Anderson at 4. My research revealed that one of the offers to purchase Velkommen included a
 12 premium in addition to the value of the existing income stream. The premium was directly
 13 associated with allowed uses of the underlying MFM zone. One prospective buyer planned to
 14 condominium the park and sell individual lots to the existing tenants. Under the recent re-zone,
 15 this would not be allowed and the value premium therefore would be lost.

17 21. Similarly, I have personal knowledge of other manufactured home park sales in
 18 which the buyer paid a premium associated with future redevelopment potential. Wildwood is a
 19 park located at 8510 Martin Way in Lacey; the property is zoned MHDC (Mixed Use High
 20 Density) by the City of Lacey. It was purchased by an experienced investor in June 2006. At
 21 that time, a new retail "power center" had just been built next door to the west with tenants
 22 including Costco, Home Depot, Best Buy, and others. New apartments, a single-family
 23 subdivision and retail centers are located to the east. The value of the underlying land "as
 24 vacant" at the time of sale was greater than the existing income stream associated with the park
 25

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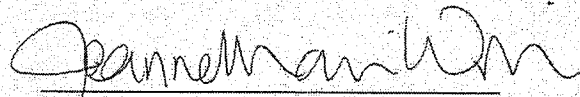
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1 "as improved." The buyer recognized he overpaid for the existing use, but knew he had a solid
 2 exit strategy from this investment given the MHDC zoning of the land and future redevelopment
 3 potential.

4 22. Another example of a park that sold with a redevelopment premium attached is
 5 Allimor Carriage Estates located in Tumwater, across from a retail center anchored by Fred
 6 Meyer and Costco. This 48-space park included 2 single-family residences (for a total of 50
 7 spaces) and sold in July 2007 for \$3,000,000 or \$60,000/space. At the time of sale, the Thurston
 8 County Assessed value for land and improvements totaled \$1,300,000 (rounded). According to
 9 the Thurston County Geodata website, it is zoned a combination of GC (General Commercial)
 10 and MFM (Multi-Family Medium Density). The stick built homes were built in the early 1940s
 11 and the use as a manufactured home park followed sometime after, with a resident clubhouse
 12 added in 1963. The existing homes are older and typically single-wide, in fair condition, but also
 13 include some RVs. The price had been discounted for issues related to the septic system and
 14 lawsuits between the prior owner and the seller. Even still, the purchase price under the existing
 15 use (\$60,000/pad) was well in excess (roughly double) of comparable manufactured home park
 16 sales that took place during the same time frame. Clearly, the buyer paid a premium for the
 17 existing use based on the future potential associated with the GC / MFM zoning.
 18
 19

20 I declare under penalty of perjury under the laws of the State of Washington that the
 21 foregoing is true and correct.

22 Executed at Olympia, this 12th day of February, 2010.

23 
 24 Jeanne-Marie Wilson

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EXHIBIT A

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PROFESSIONAL QUALIFICATIONS - JEANNE-MARIE WILSON

jmwilson@wilsonappraisal.com
www.wilsonappraisal.com

LICENSES AND CERTIFICATES

State of Washington Certified General Appraiser, Certification No. 1100250.

Expiration 12/12/10

EMPLOYMENT HISTORY

WILSON APPRAISAL SERVICE, LLC

February, 2001 - Present

2962 Limited Lane N.W., Suite A
Olympia, Washington 98502
360.867.0300 PH.
360.867.0303 FX
360.791.2240 CELL

Principal & commercial analyst specializing in all types of commercial property valuation.

PGP VALUATION, INC. (Formerly Palmer, Groth & Pietka).

1991 - January, 2001

1325 4th Avenue, Suite 500
Seattle, Washington 98101

Senior appraiser with the PGP Valuation. Specialized in multi-family and hospitality appraisal.

GEOGRAPHIC AREA SERVED

State of Washington, focusing on counties in the South Puget Sound region

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

Associate Member, Appraisal Institute
Thurston County Chamber of Commerce

APPRAISAL AND RELATED EDUCATION

University of Washington, Seattle, Washington, 1987
Bachelor of Arts degree

Appraisal Courses

Principles of Real Estate Appraisal
Standards of Professional Appraisal Practice
Real Estate Law
Real Estate Appraisal Applications
Appraising Small Income Properties (2-4 units)
Principles of Income Capitalization
Univ. of WA Extension- Certificate Program-Commercial R.E., Property Development
Technical Inspection of Real Estate
Appraisal Institute - USPAP, Part A, B & C
Appraisal Institute - Basic Income Capitalization
Appraisal Institute - Advanced Income Capitalization
Appraisal Institute - Advanced Sales Comparison & Cost Approaches
Appraisal Institute - General Demonstration Report Writing Seminar
Appraisal Institute - South Sound Subdivision Seminar
Appraisal Institute - Highest & Best Use & Market Analysis
Appraisal Institute - Report Writing & Valuation Analysis
Appraisal Institute - 2008 Fall Real Estate Conference
Appraisal Institute - "Webinar", Appraising Distressed Commercial Real Estate
Appraisal Institute - 2009 Fall Real Estate Conference


AREAS OF SPECIALTY: Experienced in all areas of commercial real estate, including vacant land, subdivision analysis, general commercial, retail, professional office, light industrial, multi-family apartments, limited service hotels and manufactured home communities.

MANUFACTURED HOME PARK APPRAISALS *

Park Name	Total	Park Name	Total
KING COUNTY		THURSTON COUNTY	
1 Tip Top Trailer Ct		1 Mountain Greens	
2 Pantera Lago		2 South Fork	
3 Park Place		3 Eagles Landing	
4 Mountain Meadows		4 Tony's Trailer Ct	
5 Charwood MHP		5 3 C's MHP	
6 Auburn Hills		6 Edgelake MHP	
7 Water Gardens		7 Prairie Park	
8 Parkwood Lane		8 Lilly Rd	
9 Bonel Mobile Manor		9 Rainier Estates	
10 Clark's Glen		10 Tanglewood	
11 Auburn Green		11 Klahowya Est	
12 Sound Vista		12 Velkommen	
13 Valley View		13 Sunrise Vista	
14 Cedar Grove		14 Alpine Mobile Est	
15 Soos Creek		15 Coach Post MHP	
16 Benson Village		16 Thunderbird Village	
17 Lauralwood		SubTotal	16
18 College Place		EASTERN WA COUNTIES	
19 Canyon Terrace		1 Grove Terrace	
20 Valley View MHP		2 Riverview	
21 Kloshe Ilahee		3 Whispering Winds	
22 Dittmer Shim		4 Sundance	
SubTotal	22	5 Bridgewater Est	
PIERCE COUNTY		6 Pathfinder	
1 Cherrywood		7 Diamond MHP	
2 Mountain View		8 Desert Oasis	
3 Fir Lane Valley		9 Columbia Village	
4 Azalea Gardens		10 Prairie Park	
5 Woodbrook MHP		11 Columbia Mobile Village	
6 Village Green		12 Desert Pines	
7 Golden Horseshoe		SubTotal	12
8 Canyon Meadows		LEWIS COUNTY	
9 Twin Oaks		1 Jackson MHP	
10 Park Place		2 Coffee Creek Est	
11 Country West		3 Centralia MHP	
12 Golden Village		4 Society Place	
13 Fir Acres		SubTotal	4
14 Summerville Est		SKAGIT COUNTY	
15 Acorn Meadows		1 Country Court	
16 Sunrise Terrace		2 Riverbend RV	
17 Karwan Village		3 Little Mtn Est	
18 The Buttes		SubTotal	3
SubTotal	18		

Total MHP Appraisals 75

* Completed by Jeanne-Marie Wilson

STATE OF WASHINGTON			
DEPARTMENT OF LICENSING -- BUSINESS AND PROFESSIONS DIVISION			
THIS CERTIFIES THAT THE PERSON NAMED HEREON IS AUTHORIZED, AS PROVIDED BY LAW, AS A			
CERTIFIED GENERAL REAL ESTATE APPRAISER			
JEANNE-MARIE WILSON 2962 LIMITED LANE NW #A OLYMPIA WA 98502			
Cert/Lic No. 1100250	Issued Date 02/17/1995	Expiration Date 12/12/2010	<i>Elizabeth A. Luce</i> Director

PL-630-159 (R/2/04)